

TOWN OF DAVIE TOWN COUNCIL AGENDA REPORT

TO: Mayor and Council members

FROM/PHONE: Carol Menke, 797-1050

SUBJECT: Resolution

TITLE OF AGENDA ITEM:

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING CERTAIN AMENDMENTS TO THE TOWN OF DAVIE MONEY PURCHASE PLAN IN ACCORDANCE WITH THE ECONOMIC GROWTH AND TAX RELIEF AND RECONCILIATION ACT OF 2001 AND PROVIDING AN EFFECTIVE DATE.

REPORT IN BRIEF:

The Economic Growth and Tax Relief and Reconciliation Act of 2001 adopted by the federal government allows plan sponsors to amend their qualified plans to provide valuable additional benefits to participants. Although the plan document may be amended at a future date, the plan record keeper needs to be advised of the Town's intentions regarding these elections in order to operate the Town's plan in accordance with the new provisions. The areas of election are as follows:

- increase the maximum compensation that can be taken into account for qualified plans from \$170,000 to \$200,000 for 2002.
- permit qualified plans to accept rollover contributions from other types of retirement plans, including pretax contributions from plans/contracts covered by IRS Code Sections 401(a), 401(k), 403(a), 403(b), and from individual retirement accounts.
- simplification of the required IRS minimum distribution regulations.
- requirement for plans with a mandatory cash-out provision to designate an IRA provider and a default investment option once the US Treasury Department issues the appropriate governing regulations.

PREVIOUS ACTIONS:

N/A, these are new options available because of recent tax law changes by federal government.

CONCURRENCES:

The recommended elections were discussed with the account representative from Great-West, the plan record keeper, and with our actuary from William M. Mercer Inc., who both concur with the elections.

FISCAL IMPACT:

Has request been budgeted? yes

If yes, expected cost- \$5,000 - \$8,000

Account Name: Retirement Expenses and Contractual Services

Additional Comments: Record keeping fees may increase marginally since more types of accounts will need to be maintained as employees rollover new types of funds into the plan and the actual plan document will need to be amended because of the tax law changes that require incorporation into the plan.

RECOMMENDATION(S):

Motion to approve the resolution.

Attachment(s):

Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE TOWN OF DAVIE, FLORIDA, AUTHORIZING CERTAIN AMENDMENTS TO THE TOWN OF DAVIE MONEY PURCHASE PLAN IN ACCORDANCE WITH THE ECONOMIC GROWTH AND TAX RELIEF AND RECONCILIATION ACT OF 2001 AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town provides a defined contribution pension plan for its covered employees; and

WHEREAS, the federal government enacted the Economic Growth and Tax Relief and Reconciliation Act of 2001 which allows plan sponsors to amend their plans to provide valuable additional benefits to participants; and

WHEREAS, the amendments concern increased compensation limits, rollovers from other plans and IRAs, required minimum distributions, and mandatory cash-out of small account balances; and

WHEREAS, the plan record keeper needs to be notified of the Town's intentions with regard to the newly allowed options in order to operate the plan in accordance with the Town's elections; and

WHEREAS, the plan document itself may be amended at a later date to complete the changes; and

WHEREAS, it has been determined that these elections do not warrant formal approval from the Internal Revenue Service or the Department of Labor;

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA:

SECTION 1. The Town Council hereby authorizes the amendments to the Town of Davie Money Purchase Plan in accordance with the Economic Growth and Tax Relief and Reconciliation Act of 2001 as provided in Exhibit "A."

SECTION 2. This resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED THIS _____ DAY OF _____, 2002.

MAYOR/COUNCILMEMBER

ATTEST:

TOWN CLERK

APPROVED THIS _____ DAY OF _____, 2002.

EXHIBIT A



BenefitsCorp
The Power of Partnership

Great-West/BenefitsCorp EGTRRA Implementation Package

401(a) Issue #1: Increase in Compensation Limit

Name of Plan Sponsor: Town of Davie, Florida

Name of Plan: Town of Davie Money Purchase Plan

I. Issue

EGTRRA permits the maximum amount of compensation that can be taken into account for qualified plan purposes pursuant to 401(a)(17) to increase from \$170,000 to \$200,000 in 2002.

II. Sample IRS Plan Document Language

The annual compensation of each participant taken into account in determining allocations for any plan year beginning after December 31, 2001 shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

III. Great-West/BenefitsCorp Comments

This is a favorable change for participants allowing for greater account growth.

IV. Staff Recommendation

Staff recommends this change.

V. Board/Committee Decision

☒ Adopt this provision effective January 1, 2002

☐ Do not adopt this provision



Great-West/BenefitsCorp EGTRRA Implementation Package

401(a) Issue #4: Rollovers From Other Plans and IRAs

Name of Plan Sponsor: Town of Davie, Florida

Name of Plan: Town of Davie Money Purchase Plan

I. Issue

EGTRRA permits qualified plans to accept rollover contributions from other types of retirement plans, including 403(b) plans, 457 plans and personal IRAs.

II. Sample IRS Plan Document Language

The plan will accept a rollover of an eligible rollover distribution as described below: (Check each that applies or none.)

 x pre-tax contributions from a qualified plan described in section 401(a) or 401(k) or 403(a) of the Code, an annuity contract described in section 403(b) of the Code, ~~and an eligible governmental deferred compensation plan described in section 457(b) of the Code~~

 a direct rollover of after tax contributions from a qualified plan described in section 401(a), 401(k) or 403(a) of the Code.

 x a participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income.

III. Great-West/BenefitsCorp Comments

Allows participants to consolidate assets from plans of previous employers and personal IRAs, and allows for greater account growth within the plan.

IV. Staff Recommendation

V. Board/Committee Decision

☒

Adopt this provision effective January 1, 2002 and allow participants to request distributions from their rollover account (1) x at any time, or (2) _____.

☐

Do not adopt this provision

Great-West/BenefitsCorp EGTRRA Implementation Package

401(a) Issue #5: Required Minimum Distributions

Name of Plan Sponsor: Town of Davie, Florida

Name of Plan: Town of Davie Money Purchase Plan

I. Issue

The Treasury has issued new required minimum distribution regulations that greatly simplify the calculation of the amount that must be distributed. The calculation is based simply on the prior December 31 account balance, the age of the participant or beneficiary in the year of the distribution and a single divisor from an IRS table.

II. Discussion

Plans must comply with the new minimum distribution regulations effective January 1, 2002.

III. Great-West/BenefitsCorp Comments

Required.

IV. Staff Recommendation

Required.

V. Board/Committee Decision

☒

Adopt this provision effective January 1, 2002.

☐

No not adopt this provision.



BenefitsCorp
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Great-West/BenefitsCorp EGTRRA Implementation Package

401(a) Issue #6: Mandatory Cash-out of Small Account Balances

Name of Plan Sponsor: Town of Davie, Florida

Name of Plan: Town of Davie Money Purchase Plan

I. Issue

Plans are allowed to cash out small account balances (typically \$5,000 or less) without the participant's consent upon separation from service. EGTRRA requires Treasury to issue regulations within three years of the date of enactment that will require all plans with a mandatory cash-out provision to designate an IRA provider to receive unclaimed small accounts. If the participant does not request the distribution in cash or direct it to another plan or IRA, the plan must send all amounts of \$1,000 or more to the designated IRA provider and determine the default option for such amounts to be invested in. Rollover amounts may be disregarded for this purpose.

II. Discussion

Each plan sponsor must determine whether the plan will allow small accounts to remain in the plan when a participant separates from service until age 70 ½. If the plan sponsor chooses to force immediate cash outs of small account balances at separation from service, the plan must provide that, upon issuance of Treasury regulations, unclaimed amounts in excess of \$1,000 will be sent to a designated IRA provider and select the default option to receive these amounts.

III. Great-West/BenefitsCorp Comments

It will be up to three years before the Treasury issues regulations requiring plans to transfer mandated cash-out amounts to an IRA provider. Only accounts of participants who refuse to communicate with the plan need to be sent to an IRA provider. Great-West/BenefitsCorp will make an IRA product available to our plan sponsors when the regulations are issued, and will advise of any fees applicable to the IRA product when it is available.

IV. Staff Recommendation

V. Board/Committee Decision

☒

Adopt this provision for amounts of \$5,000 or less, taking the entire account balance, including rollovers, into consideration.

☐

Do not adopt this provision.